

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**SB 696 - HB 1218**

March 20, 2015

**SUMMARY OF BILL:** Enacts the “Genetically Engineered Food Labeling Act” that requires any genetically engineered food to be labeled as such or be displayed with a card stating “Produced with Genetic Engineering.” Requires package process foods to not be considered misbranded if the total weight that was genetically engineered is less than 0.9 percent of the total weight processed. Authorizes the Commissioner of the Department of Agriculture (DOA) to promulgate rules and regulations in accordance of the Uniform Administrative Procedures Act. Authorizes the DOA to assess a fine not exceeding \$1,000 per day for each instance of a misbranded product. Classifies the mislabeling of such food an unfair or deceptive act under the Consumer Protection Act, which is considered a Class B misdemeanor.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures - \$214,800/FY15-16  
\$138,600/FY16-17 and Subsequent Years**

Assumptions:

- For the purpose of promulgating rules, this bill is effective upon becoming law; for all other purposes, the act shall be effective January 1, 2016.
- According to the DOA, the department will implement a sampling program to ensure compliance with labeling requirements.
- The DOA estimates an average of 50 samples will be taken each week.
- The cost associated with taking one sample is estimated to be \$4.00.
- The cost for laboratory supplies is estimated to be \$18 per sample.
- The recurring increase in state expenditures beginning in FY16-17 is estimated to be \$57,200 [(\$4.00 per sample + \$18 lab supplies per sample) x 50 samples x 52 weeks]; the increase in state expenditures in FY15-16 is estimated to be \$28,600 (\$57,200 x 50%) due to the effective date of January 1, 2016.
- The DOA will require one additional Chemist for the purpose of testing samples.
- The recurring increase in state expenditures beginning in FY16-17 relative to this position is estimated to be \$53,380 (\$35,970 salary + \$17,410 benefits); the increase in state expenditures in FY15-16 is estimated to be \$26,690 (\$53,380 x 50%) due to the effective date of January 1, 2016.
- The DOA will require one part-time Food and Dairy Inspector. It is estimated that the inspector will work approximately 800 hours per year at \$16.22 per hour.

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- The recurring increase in state expenditures beginning in FY16-17 for this part-time position is estimated to be \$12,976 (800 hours x \$16.22); the increase in state expenditures in FY15-16 is estimated to be \$6,488 (\$12,976 x 50%) due to the effective date of January 1, 2016.
- There will be a one-time cost of \$3,000 (\$1,500 x 2) for computers, software, and related equipment for the two new employees.
- According to the DOA, the department will require additional laboratory equipment necessary for product testing. Based on the information provided by the DOA, the one-time increase in state expenditures in FY15-16 is estimated to be \$150,000.
- The maintenance contracts for the equipment will result in a recurring in state expenditures of \$15,000 beginning in FY16-17.
- The total increase in state expenditures for FY15-16 is estimated to be \$214,778 (\$28,600 + \$26,690 + \$6,488 + \$3,000 + \$150,000).
- The total recurring increase to state expenditures beginning in FY16-17 is estimated to be \$138,556 (\$57,200 + 53,380 + \$12,976 + \$15,000).
- There will not be a sufficient number of Class B misdemeanor prosecutions for state or local government to experience any significant increase in revenue or expenditures.

## **IMPACT TO COMMERCE:**

**Increase Business Revenue – Exceeds \$10,000**

**Increase Business Expenditures – Exceeds \$10,000**

### **Assumptions:**

- This bill will place additional regulatory labeling requirements on producers of genetically engineered food products. As a result, it is reasonable to presume that business expenditures will increase as a result of becoming compliant with the act. The extent of any such increased business expenditures is unknown and dependent on the extent of compliance performed by any such business entity. However, the recurring increase in business expenditures is reasonably estimated to exceed \$10,000 per year.
- The recurring increase in business expenditures is presumed to be passed on to retailers, and eventually passed on to consumers in higher food product prices. As a result, the recurring increase in business revenue is reasonably estimated to exceed \$10,000.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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